

3. *What transactions have potential tax consequences?*

The following types of transactions, among others, may have potential tax consequences:

- (a) A reissue that affects the rights of any of the persons named on a definitive Series EE savings bond may have tax consequences for the owner.
- (b) The transfer of a book-entry Series EE savings bond from one owner to another may have tax consequences for the transferor.
- (c) The redemption of a book-entry Series EE savings bond by the secondary owner may have tax consequences for the primary owner.
- (d) The purchase of a Series EE savings bond as a gift may have gift tax consequences.

## PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH

Sec.

- 352.0 Offering of bonds.
- 352.1 Governing regulations.
- 352.2 Description of bonds.
- 352.3 Registration and issue.
- 352.4 Limitation on purchases.
- 352.5 Authorized issuing and paying agents.
- 352.6 [Reserved]
- 352.7 Issues on exchange.
- 352.8 Reinvestment of matured Series H bonds.
- 352.9 Delivery of bonds.
- 352.10 Taxation.
- 352.11 Reservation as to issue of bonds.
- 352.12 Waiver.
- 352.13 Fiscal agents.
- 352.14 Reservation as to terms of offer.

AUTHORITY: 31 U.S.C. 3105, 5 U.S.C. 301.

SOURCE: 54 FR 40249, Sept. 29, 1989, unless otherwise noted.

### § 352.0 Offering of bonds.

The Secretary of the Treasury offered to the people of the United States, United States Savings Bonds of Series HH in exchange for eligible United States Savings Bonds of Series E and EE and United States Savings Notes (Freedom Shares). This offering is being withdrawn and will terminate at the close of business on August 31, 2004.

[69 FR 40318

### § 352.1 Governing regulations.

Series HH bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds

of Series EE and HH contained in Department of the Treasury Circular, Public Debt Series No. 3-80, as amended (31 CFR part 353), hereinafter referred to as Circular No. 3-80.

### § 352.2 Description of bonds.

(a) *General.* Series HH bonds were issued only in registered form and are nontransferable. The bonds are distinguishable by the portraits, color, border design, tax-deferral legend, and text material.

(b) *Denominations and prices.* Series HH bonds were issued at face amount and are in denominations of \$500, \$1,000, \$5,000 and \$10,000.

(c) *Term.* Each bond bears an issue date which is the date from which interest is earned. The date was established as provided in § 352.7(f). Series HH bonds have an original maturity period of 10 years and have been granted an extended maturity period of 10 years; they will reach final maturity 20 years from their issue dates.

(d) *Redemption.* A Series HH bond may be redeemed after six months from its issue date. The Secretary of the Treasury may not call Series HH bonds for redemption prior to maturity. In any case where Series HH bonds are surrendered to an authorized paying agent for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.

(e) *Investment yield (interest).* (1) During original maturity. Interest payments on Series HH bonds will produce the investment yields specified below during their original maturity period:

(i) *Bonds with issue dates of January 1, 2003, and thereafter.* The investment yield applicable to Series HH bonds issued on or after January 1, 2003, will be furnished in rate announcements by the Secretary or the Secretary's designee. The rate announced will apply to bonds issued during the period covered by the announcement.

(ii) *Bonds with issue dates of March 1, 1993, through December 1, 2002.* Series

HH bonds with issue dates of March 1, 1993, through December 1, 2002, yield 4 percent per annum, paid semiannually, to original maturity.

(iii) *Bonds with issue dates of November 1, 1986, through February 1, 1993.* Series HH bonds with issue dates of November 1, 1986, through February 1, 1993, yield 6 percent per annum, paid semiannually, to original maturity.

(iv) *Bonds with issue dates of November 1, 1986, through September 1, 1989.* Series HH bonds with issue dates of November 1, 1986, through September 1, 1989, will yield 6 percent per annum, paid semiannually, to original maturity.

(v) *Bonds with issue dates of November 1, 1982, through October 1, 1986.* Series HH bonds with issue dates of November 1, 1982, through October 1, 1986, will yield 7.5 percent per annum, paid semiannually, to original maturity.

(vi) *Bonds with issue dates of May 1, 1981, through October 1, 1982.* Series HH bonds with issue dates of May 1, 1981, through October 1, 1982, will yield 8.5 percent per annum, paid semiannually, to original maturity.

(vii) *Bonds with issue dates of November 1, 1980, through April 1, 1981.* Series HH bonds with issue dates of November 1, 1980, through April 1, 1981, were originally offered to yield 7.5 percent per annum, paid semiannually. The yield to original maturity was increased by 1 percent, effective with the first full semiannual interest accrual period beginning on or after May 1, 1981.

(viii) *Bonds with issue dates of January 1, 1980, through October 1, 1980.* Series HH bonds with issue dates of January 1, 1980, through October 1, 1980, were originally offered to yield 6.5 percent per annum, paid semiannually. The yield to original maturity was increased by 1 percent, effective with the first full semiannual interest accrual period beginning on or after November 1, 1980, and an additional 1 percent, effective with the first full semiannual interest accrual period beginning on or after May 1, 1981.

(2) *During extended maturity.* The investment yields for Series HH bonds during their extended maturity periods are as specified in paragraphs (e)(2)(i), (ii), and (iii) of this section.

(i) *Bonds that enter an extended maturity period on or after January 1, 2003.*

The investment yield applicable to Series HH bonds that enter an extended maturity period on or after January 1, 2003, will be furnished in rate announcements by the Secretary or the Secretary's designee. The rate announced will apply to bonds that enter an extended maturity period during the period covered by the announcement.

(ii) *Bonds that entered an extended maturity period from March 1, 1993, through December 1, 2002.* The investment yield applicable to Series HH bonds that entered an extended maturity period from March 1, 1993, through December 1, 2002, is 4 percent per annum, paid semiannually.

(iii) *Bonds that entered an extended maturity period from January 1, 1990, through February 1, 1993.* The investment yield applicable to Series HH bonds that entered into an extended maturity period from January 1, 1990, through February 1, 1993, is 6 percent per annum, paid semiannually.

(f) *Payment of interest.* The interest on a Series HH bond is paid semiannually beginning six months from the issue date. Interest ceases at final maturity or, if the bond is redeemed before final maturity, as of the end of the interest period preceding the date of redemption. If the redemption date falls on an interest payment date, interest ceases on that date.

(1) *Bonds issued on or after October 1, 1989.* Interest on Series HH bonds issued on or after October 1, 1989, will be paid by the automated clearing house (ACH) method to the registered owner or co-owner's account at a financial institution, unless the Bureau of the Public Debt determines that extraordinary circumstances warrant payment by check or other means.

(2) *Bonds issued prior to October 1, 1989.* Interest on Series HH bonds issued prior to October 1, 1989, will be paid as follows:

(i) By check drawn to the order of the registered owner or both coowners; or

(ii) Upon request, by the ACH method to the owner or coowner's account at a financial institution.

(g) *Rules governing payment of interest by the ACH method.* Provisions contained in §353.31 of Department of the Treasury Circular, Public Debt Series No. 3-80, as amended (31 CFR part 353),

### § 352.3

apply to the submission of deposit account information for Series HH interest payments made on and after October 1, 1989, for which ACH payment:

(1) Is required under paragraph (f)(1) of this section;

(2) Is requested by an owner or co-owner on or after October 1, 1989, pursuant to paragraph (f)(2) of this section; or

(3) Was requested by an owner or co-owner prior to October 1, 1989.

Interest payments made by the ACH method on and after October 1, 1989, will be processed in accordance with 31 CFR part 370.

(Approved by the Office of Management and Budget under control number 1535-0094)

(h) *Tables of interest payments and redemption values.* Tables showing the interest payments and redemption values of bonds issued under previous revisions of this Circular will be available from the Bureau of the Public Debt and designated Federal Reserve Banks.

[54 FR 40249, Sept. 29, 1989, as amended at 58 FR 60947, Nov. 18, 1993; 59 FR 10540, Mar. 4, 1994; 67 FR 79384, Dec. 24, 2002; 69 FR 40318, July 2, 2004]

### § 352.3 Registration and issue.

(a) *Registration.* Series HH bonds may be registered as set forth in subpart B of 31 CFR part 353, also published as Department of the Treasury Circular, Public Debt Series No. 3-80.

(b) *Validity of issue.* A bond is validly issued when it is registered as provided 31 CFR part 353, also published as Department of the Treasury Circular, Public Debt Series No. 3-80, and bears an issue date and appropriate validation indicia.

(c) *Taxpayer identifying number.* The inscription of a bond must include the taxpayer identifying number of the owner or first-named coowner. The taxpayer identifying number of the second-named coowner or beneficiary is not required but its inclusion is desirable.

[54 FR 40249, Sept. 29, 1989, as amended at 57 FR 14286, Apr. 17, 1992]

### 31 CFR Ch. II (7-1-05 Edition)

### § 352.4 Limitation on purchases.

Series HH bonds issued under the terms of this Circular were not subject to a purchase limitation.

[54 FR 40249, Sept. 29, 1989, as amended at 69 FR 40318, July 2, 2004]

### § 352.5 Authorized issuing and paying agents.

Series HH bonds were issued and may be redeemed only by Federal Reserve Banks (see § 352.13) and the Bureau of the Public Debt.

[69 FR 40318, July 2, 2004]

### § 352.6 [Reserved]

### § 352.7 Issues on exchange.

(a) *Securities eligible for exchange.* Prior to the close of business on August 31, 2004, owners were permitted to exchange United States Savings Bonds of Series E and EE and United States Savings Notes (Freedom Shares) at their current redemption values for Series HH bonds. Series E bonds and savings notes remained eligible for exchange for a period of one year from the month in which they reached final maturity. Series EE bonds issued on January 1, 2003, or earlier, became eligible for exchange six months after their issue dates. Series EE bonds issued on February 1, 2003, or thereafter, became eligible for exchange 12 months after their issue dates.

(b) *Basis for issue.* Series HH bonds were issued on exchange by an authorized issuing agent upon receipt of a properly executed exchange application with eligible securities, and additional cash, if any, and any supporting evidence that was required under the regulations. If eligible securities were submitted directly to a Federal Reserve Bank referred to in § 351.13, each was required to bear a properly signed and certified request for payment. Checks in payment of additional cash needed to complete a transaction (see paragraph (d) of this section) were required to be drawn to the order of the Federal Reserve Bank.

(c) *Role of financial institutions.* Department of the Treasury Circular No. 750, current revision (31 CFR part 321), authorizes financial institutions qualified as paying agents for savings bonds